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ASX Release

2015 Corporate Governance Statement

26 August 2015

Attached is AGL Energy Limited's 2015 Corporate Governance Statement, and Appendix 4G in relation thereto.

A handwritten signature in black ink, appearing to read 'P. McWilliams'.

Paul McWilliams
Company Secretary

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About AGL

AGL is one of Australia's leading integrated energy companies. It is taking action to responsibly reduce its greenhouse gas emissions while providing secure and affordable energy to its customers. Drawing on over 175 years of experience, AGL serves its customers throughout eastern Australia with meeting their energy requirements, including gas, electricity, solar PV and related products and services. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, solar, landfill gas and biomass.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

AGL ENERGY LIMITED

ABN / ARBN:

74 115 061 375

Financial year ended:

30 JUNE 2015

Our corporate governance statement² for the above period above can be found at:³

- ☐ These pages of our annual report:
- ☒ This URL on our website: www.agl.com.au/about-agl/who-we-are/our-company/corporate-governance

The Corporate Governance Statement is accurate and up to date as at *[insert effective date of statement]* and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 26 August 2015

Name of Director or Secretary authorising
lodgement: Paul McWilliams

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	... the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and a copy of our diversity policy or a summary of it: ☒ summarised in the Corporate Governance Statement ... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and the information referred to in paragraphs (c)(1) or (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>QR</u> ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ on AGL's website ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>QR</u> ☒ in the 2015 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively: ☒ in our Corporate Governance Statement <u>QR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>QR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	... our board skills matrix: ☐ in our Corporate Governance Statement <u>QR</u> ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement <u>QR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement <u>OR</u> ☒ in the 2015 Annual Report ... and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and the length of service of each director: ☐ in our Corporate Governance Statement <u>OR</u> ☒ 2015 Annual Report	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ on AGL's website ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the 2015 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: ☒ at aql.com.au/about-aql/who-we-are/our-company/corporate-governance	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ on AGL's website ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the 2015 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> [If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☐ in our Corporate Governance Statement <u>OR</u> ☒ in 2015 Annual Report and 2014 Sustainability Report	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ on AGL's website ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the 2015 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the 2015 Annual Report (Remuneration Report)	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the 2015 Annual Report (Remuneration Report)	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

CORPORATE GOVERNANCE

Corporate Governance Statement - 2015

This statement has been approved by the Board and is current as at 21 August 2015.

AGL's approach to Corporate Governance

This Statement explains how AGL addresses the ASX Corporate Governance Council's, 'Corporate Governance Principles and Recommendations – 3rd Edition' (referred to as either ASX Principles or Recommendations).

PRINCIPLE 1:

Lay solid foundations for management and oversight

Recommendation 1.1 – *Companies should establish the functions reserved to the Board and those delegated to the Executive Team*

Role of the AGL Board ('the Board')

The Board is responsible for the governance of AGL. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from AGL's Constitution.

The Board's responsibilities are set out in a formal Charter which the Board reviews every two years. The Charter was most recently reviewed and amended in April 2014.

The major powers the Board has reserved to itself are:

- reviewing and approving AGL's strategic plans and performance objectives;
- selecting, appointing and monitoring the performance of the Chief Executive Officer (CEO) and, if appropriate, terminating the appointment of the CEO;
- monitoring the performance of, and approving the remuneration policies and procedures applying to, the Executive Team;
- monitoring the timeliness and effectiveness of reporting to Shareholders;
- approving and monitoring policies governing AGL's relationship with other stakeholders and the broader community, including policies in relation to environmental management and occupational health and safety;
- monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;
- monitoring financial outcomes and the integrity of reporting, and in particular, approving annual budgets and longer-term strategic and business plans;
- approving decisions affecting AGL's capital, including determining AGL's dividend policy and declaring dividends;
- reviewing and recommending to Shareholders the appointment or, if appropriate, the termination of the appointment of the external auditor; and

- monitoring the effectiveness of AGL's audit, risk management and compliance systems that are in place to protect AGL's assets and to minimise the possibility of AGL operating beyond acceptable risk parameters.

The Board has established four Committees. They are:

- Nominations Committee (see Principle 2)
- Audit and Risk Management Committee (see Principle 4);
- Safety, Sustainability and Corporate Responsibility Committee (see Principle 7.4); and
- People and Performance Committee (see Principle 8).

Timetables for Board and Committee meetings are agreed annually in advance.

Non-executive Directors also participate in due diligence committees established from time to time in relation to funding transactions which require the preparation and distribution of documents inviting shareholders and other recipients to invest in AGL securities. During FY15, John Stanhope chaired, and Les Hosking was a member of, the due diligence committee established in relation to the rights entitlement offer in connection with the funding of the acquisition of the AGL Macquarie assets.

Delegation to the CEO and the Executive Team

The Board has delegated to the CEO and the Executive Team responsibility for implementing AGL's strategic direction and for managing AGL's day-to-day operations. Specific limits on the authority delegated to the CEO and the Executive Team are set out in the Delegated Authorities approved by the Board.

The Executive Team comprises the CEO and senior managers (Executives) who report directly to the CEO.

Recommendation 1.2 – Companies should carry out appropriate checks of board candidates and provide information to shareholders that is material to their candidacy

The Board has established a Nominations Committee (refer 2.1) with responsibilities which include overseeing arrangements for the effective appointment of new Directors. When considering the appointment of a new Director, the Committee may engage the services of an executive recruitment firm to assist in identifying suitable candidates to be shortlisted for consideration for appointment to the Board and to carry out appropriate reference checks before the Board makes an offer to a preferred candidate.

Newly appointed directors must stand for reappointment at the next subsequent Annual General Meeting (AGM). The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details of relevant skills and experience.

Recommendation 1.3 – Companies should have a written agreement with each director and Executive setting out the terms of their appointment

New Directors consent to act as a director and receive a formal letter of appointment which sets out duties and responsibilities, rights, and remuneration entitlements.

Each Executive is employed under a Service Agreement which sets out the terms on which the Executive is employed including details of the Executive's duties and responsibilities, rights, and remuneration entitlements. The Service Agreement also sets out the circumstances in which the employment of the Executive may be terminated by either AGL or the Executive, including details of notice periods and the amounts payable to the Executive as a consequence of the termination by AGL of the Executive's employment. Further details can be found in the Remuneration Report commencing on page 57 of the Annual Report.

Recommendation 1.4 – *The company secretary of a listed entity should be accountable directly to the Chair of the Board for matters relevant to the Board.*

AGL's Company Secretary fulfils other management responsibilities in addition to company secretarial duties. The formal reporting line of the Company Secretary is to the CEO. For any matter relevant to the company secretarial duties or conduct of the Board, the Company Secretary has an indirect reporting line, and is accountable, to the Chair of the Board.

Recommendation 1.5 – *Companies should have a policy concerning diversity and disclose that policy, together with measurable objectives for achieving gender diversity and its progress towards achieving those objectives.*

AGL's Diversity and Inclusion Policy describes AGL's approach to diversity and inclusion and how these attributes are to be embedded in AGL workplaces. The Policy includes specific provisions regarding gender diversity and the positive correlation between increased representation of women on company boards and in senior management positions and the achievement of better financial performance, higher employee retention rates, and enhanced corporate image and reputation. The Policy is published on [AGL's website](#).

AGL has established a Diversity & Inclusion Council to support the achievement of a diverse workforce and an inclusive workplace culture. The Council is chaired by Andy Vesey, AGL's CEO, and comprises nine other members drawn from senior leaders across AGL's business.

	2015 Diversity Objectives	Progress made
1	AGL will increase the percentage of female appointments to its senior leadership pipeline to 50% by 30 June 2016.	The rate of appointment of females to the senior leadership pipeline was 31%. The proportion of female new hires was slightly higher than the internal appointment rate (by 8%). Business units that had previously experienced challenges in making female appointments have made good progress as a result of targeted external recruitment campaigns to attract female candidates.
2	By June 2015, AGL will increase by 1.5% the overall representation of women in the senior leadership pipeline.	The representation of women in the senior leadership pipeline remains steady at 33%.

In 2014, AGL established a number of supporting objectives to increase the proportion of women in senior leadership roles. Progress against these objectives is summarised below:

1. Increase female representation on shortlists for senior roles

A stronger partnership with recruitment providers has led to more focussed search processes for qualified female candidates. As a result seven senior women were appointed into male dominated leadership teams in this period:

- Information Services Group Business Partner, Corporate, Upstream Gas and New Energy
- General Manager Group Finance, Group Finance & Technology
- Head Wholesale Gas, Energy Portfolio Management
- General Manager, Gas & Renewables, Group Operations
- Head of Maintenance, AGL Macquarie
- General Manager Business Energy Services, New Energy
- General Manager Commercial Development, New Energy

2. Increase men's and women's access to flexible working arrangements

The ability to purchase additional leave entitlements - in addition to the paid annual leave entitlement of 4 weeks – was increased from 2 weeks per annum to 6 weeks per annum. This enables an employee's total leave entitlement to be increased to up to 10 weeks per annum, with leader approval.

3. Increase support and advocacy for women in the recruitment process for senior roles

Principles have been established to enhance advocacy for women participating in job selection processes. For example, selection processes for senior roles required gender neutral short lists and interview panels, and a commitment to maintain any agreed flexible working arrangements for key talent who may transition into new roles.

4. Increase women's access to key leadership development programs

AGL's Career Development Program for emerging female leaders was piloted in late 2014. The program had the dual aim of retaining high potential female talent, while increasing the talent pool of women ready to move into senior leadership roles. Fifteen women from across AGL participated in the pilot program. Further programs will be conducted during FY16.

5. Increase women's access to mentoring and executive sponsorship

AGL's Group Finance launched a formal mentoring program for 17 emerging finance leaders (nine women, eight men) during FY2015. Fifteen senior leader mentors (eight men, seven women) were chosen to provide mentoring for an initial 12 month period. In addition, a "Talent Spotlighting" process was incorporated into AGL's Talent Management Program.

6. Increase support and advocacy for women and men pre/during/return from extended parental leave

During the recent organisation-wide restructure, principles were established to provide special care and attention to pregnant women and employees who were on parental leave, to provide equal opportunity to participate in selection processes. These principles included a commitment to maintaining approved parental leave for employees who:

- secured positions in the new structure;
- were displaced as a result of a restructure. In this case, employees were able to commence their redeployment at the end of their period of parental leave.

AGL's Working Parents Program for women and men continued during FY2015.

AGL reports under the Workplace Gender Equality Act 2012. Publication of AGL's Gender Equality Indicators can be found on [AGL's external website](#).

	FY2014	FY2015
Female directors on the Board	25%	25%
Female employees in Executive Positions	10%	12%
Female employees in Senior Leadership Pipeline	33%	33%
Female employees in the company	36%	31%

During FY15, the AGL Executive Team was reduced to 8 members (from 10 in FY14). This has resulted in a higher proportion of females, even though there was no change to the actual number of women on the Executive Team (one).

The proportion of female employees in the company overall has reduced to 31% in FY15 as a result of the inclusion of newly acquired employees from AGL Macquarie (not included in FY14 data). The AGL Macquarie operation comprises large coal fired power stations supported by trade-based and engineering occupational groups, which are typically male-dominated within the Australian energy industry.

The Board has carried over from FY2015 the main headline diversity objective for the year commencing 1 July 2015.

- AGL will increase the percentage of female appointments to its senior leadership pipeline to 50% by 30 June 2016.

Given the significant amount of organisational restructuring during FY15 and the number of new appointments to senior leadership pipeline roles, setting a target of increasing the percentage of women in this group in FY16 was considered not to be practical.

AGL will continue to track and report on initiatives helping to progress the supporting objectives established in FY15 (as detailed above).

AGL's Board has also committed to achieving a target that, by 2018, 30 percent of the Directors will be female.

Recommendation 1.6 – Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors

Evaluation of Board and individual Directors

The Board regularly reviews its own performance and the performance of individual Directors. The most recent review, which was conducted during the year, was facilitated by an independent consultant with expertise in conducting

Board reviews. The results of the review were discussed at a subsequent Board meeting. The Chairman met separately with each Director to provide feedback from the review in relation to the Director's contribution to the Board.

An independent review of the performance of the Board is conducted every two years.

Evaluation of Board Committees

The Charters for each of the Board Committees require that each Committee annually review its own performance.

Audit and Risk Management Committee

Review process	The Committee set aside time at one of its meetings to consider how effective it had been during the year. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.
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Safety, Sustainability and Corporate Responsibility Committee

Review process	The Committee set aside time at one of its meetings to consider how effective it had been during the year. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.
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People and Performance Committee

Review process	The Committee set aside time at one of its meetings to consider how effective it had been during the year. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.
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Nominations Committee

Review process	The Committee set aside time at one of its meetings to consider how effective it had been during the year. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.
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Recommendation 1.7 – Companies should disclose the process for evaluating the performance of the Executive Team

Executive Team performance evaluations have been conducted for the financial year ending 30 June 2015. Details of the evaluation process and the linkages

between the result of performance evaluations and remuneration are disclosed in the Remuneration Report commencing on page 57 of the 2015 Annual Report.

PRINCIPLE 2: Structure the Board to add value

AGL's Constitution provides for a minimum of three and a maximum of ten directors.

The Directors of AGL at any time during the financial year are listed with a brief description of their qualifications, appointment date, experience and special responsibilities on pages 24 and 25 of the Annual Report.

The Board met 15 times during the financial year. Director's attendances are set out on page 26 of the 2015 Annual Report.

Recommendation 2.1 – The Board should establish an appropriately structured nomination committee

The Board has established a Nominations Committee. The Committee comprises all AGL's non-executive Directors. The Committee has adopted a formal Charter that is required to be reviewed at least every two years. The most recent review was in April 2014. A copy of the Charter is available on [AGL's website](#).

The Committee is responsible for:

- reviewing the skills, knowledge and experience a Director should have having regard to AGL's operational, financial and strategic objectives;
- reviewing the structure, size and composition of the Board and Board Committees;
- developing and implementing a process for evaluating Board, Committee and individual Director performance;
- developing selection criteria for the appointment of new Directors and overseeing arrangements for the effective appointment and induction of new Directors; and
- developing succession plans for non-executive Directors to maintain an appropriate mix of skills, experience, expertise and diversity on the Board.

The Committee met two times during the year.

Details of Directors' attendances are set out on page 26 of the Annual Report.

Recommendation 2.2 – The Board should establish and disclose a board skills matrix on the mix of skills and diversity for Board membership

AGL seeks to maintain a Board of Directors with a broad range of financial and other skills, experience and knowledge relevant to overseeing the business of a vertically integrated energy company. The Board has in place a matrix of the skills, experience, expertise and diversity to be sought in considering its own composition. As well as general skills expected of a Director, the matrix includes items such as relevant experience within energy or related industries with direct relevance to AGL's strategy, as well as an appropriate mix across the Board of financial experience, engineering expertise, risk management and assurance skills, and experience in undertaking major transactions and capital raisings.

During the year, the Board updated the skills matrix. This was in anticipation of a need to refresh the Board over the next two years with the appointment of 2 or 3 new Directors to replace long-serving Directors expected to retire within that timeframe.

In revising its skills matrix, the Board identified that, collectively, new appointees should have skills and experiences which include:

- Experience in consumer markets with an understanding of customer behaviours in an increasingly digital world;
- Experience from an industry that has been materially disrupted or transformed by the emergence of new technologies;
- Strong leadership capabilities;
- Upstream gas development and production experience or other similar experience;
- Senior executive experience, ideally as a Chief Executive Officer, encompassing substantial P&L responsibility;
- Experience in management of a broad range of stakeholders including local communities, governments and regulators.

Diversity of the Board, including gender diversity, is a consideration included in the matrix. AGL has committed publicly to achieving a target that, by 2018, at least 30 percent of Directors will be female.

Recommendation 2.3 – The Company should disclose whether its Directors are independent

AGL considers a Director to be independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgement in relation to matters concerning AGL.

In determining whether a Director is independent, the Board considers a mix of factors including whether the Director (or any of the Director's associates):

- within the last three years, has been employed in an executive capacity by AGL or any of its related bodies corporate;
- within the last three years, has been a principal of a material professional adviser or a material consultant to AGL or any of AGL's related bodies corporate;
- is a material supplier to, or customer of, AGL or any of AGL's related bodies corporate, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- is a substantial shareholder of AGL or an officer of, or otherwise associated directly with, a substantial shareholder of AGL;
- has a material contractual relationship with AGL;
- has close family ties with any person that falls into the categories outlined above;
- has been a Director for more than 9 years; or
- has any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in AGL's best interests.

The Board has determined that each non-executive Director is, and was throughout the entirety of the financial year, independent.

During the financial year, there was one instance where an individual Director found it necessary to be excused from consideration by the Board of a specific matter because of a potential conflict of interest.

No Director has received or become entitled to receive a benefit because of a contract between any company in the AGL Group and the Director, or a firm in which the Director is a substantial member, or an entity in which the Director has a substantial financial interest, other than:

- in the case of non-executive Directors, remuneration as disclosed in the Annual Report which includes participation in the shareholder approved AGL Share Purchase Plan; and
- in the case of the CEO, a contract of employment and entitlements under AGL's Long-Term Incentive Plan.

Directors have unfettered access to AGL records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Company Secretary on any matter relevant to their role as a Director. In addition, the Board has access to other relevant senior management to seek additional information concerning AGL's business.

Under AGL's Board Charter, the Board collectively, and each Director individually, has the right to seek independent professional advice at AGL's expense to help them carry out their responsibilities.

It is usual for the non-executive Directors to confer, without management being present, at the start of each scheduled Board meeting.

Recommendation 2.4 – The majority of the Board should be comprised of independent Directors

As at 30 June 2015, the Board comprised seven non-executive Directors and one executive Director. The executive Director is AGL's CEO, Andy Vesey. The Board has determined that each non-executive Director is, and was throughout the entirety of the financial year, independent.

Recommendation 2.5 – The Chair should be an independent Director

Under AGL's Constitution, the Board elects a Chairman from amongst the non-executive Directors. This means that the roles of Chairman and Chief Executive Officer are not exercised by the same individual. It is a requirement of AGL's Board Charter that the Chairman be independent.

The Board is satisfied that AGL's Chairman, Jerry Maycock is, and has been throughout the year, an independent Director.

The Chairman presides over AGL's Board meetings and Shareholder meetings. Under AGL's Board Charter, the Chairman is also responsible for:

- leading the Board in reviewing and discussing Board matters;
- managing the efficient organisation and conduct of the Board's function;
- briefing all Directors in relation to issues arising at Board meetings;
- facilitating effective contribution by all Directors and monitoring Board performance;
- overseeing that membership of the Board is skilled and appropriate for AGL's needs;

- promoting constructive relations between Board members and between the Board and management;
- reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- overseeing the implementation of policies and systems for Board performance review and renewal.

Recommendation 2.6 – *Establish a program for inducting new directors and provide appropriate professional development opportunities for directors*

The formal letter of appointment and an induction pack provided to Directors contain sufficient information to allow the new Director to gain an understanding of:

- the rights, duties and responsibilities of Directors;
- the role of Board Committees;
- the roles and responsibilities of the Executive Team; and
- AGL's financial, strategic, and operational risk management position.

New Directors undertake an induction program which comprises:

- an information pack which includes a copy of AGL's Constitution; Board and Committee Charters; most recent Annual Report; most recent Appendix 4D or 4E and market results presentation; most recent monthly Group Performance Report; AGL strategic plan; organisational chart; Deed of Access, Insurance and Indemnity and details of AGL's Directors and Officers insurance policy; and a copy of the register of AGL's most significant risks;
- a program of meetings with members of AGL's Executive Team;
- a program of meetings with other AGL employees responsible for areas such as HSE, upstream gas operations, and wholesale energy trading; and
- visits to AGL's main operational sites.

As part of a program of ongoing Director education, the Board regularly receives presentations on a range of topics generally relevant to AGL's business activities.

PRINCIPLE 3: Promote ethical and responsible decision making

Recommendation 3.1 – *Companies should establish a Code of Conduct*

AGL has a Code of Conduct that applies to AGL and its Directors, employees and contractors (all of which are referred to as "employees" in the Code).

The Code of Conduct sets out a number of overarching principles of ethical behaviour which are set out under the following headings:

Acting honestly and with integrity

Observing the law

Valuing and maintaining professionalism

Respecting confidentiality

Managing conflicts of interest

Looking after our employees

Looking after the community

Training about the Code of Conduct is part of the induction process for new AGL employees. It is also a requirement that AGL employees complete on-line refresher training about the Code of Conduct. During the year, more than 99% of AGL employees completed the on-line training module.

The Code of Conduct provides a mechanism to enable employees to report actual or suspected breaches, including an independently monitored Diversity Support Line telephone service to allow for anonymous reporting. An Ethics Panel oversees the application of the Code of Conduct in AGL, including investigating alleged breaches of the Code, monitoring compliance and recommending amendments to the Board. The Ethics Panel comprises the Company Secretary, Group Head of People and Culture, the General Counsel, the Head of Group Audit, and Ms Susan Cunningham - an independent person who has expertise in managing employee grievances. The Ethics Panel met four times during the year.

AGL's Code of Conduct is available on [AGL's website](#).

PRINCIPLE 4: **Safeguard integrity in corporate reporting**

Recommendation 4.1 – *The Board should establish an appropriately structured audit committee*

The Board has established an Audit and Risk Management Committee. Its primary function is to assist the Board to fulfil its responsibilities to provide shareholders with timely and reliable financial reports and to protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

Structure of the Audit and Risk Management Committee

Under its Charter, the Audit and Risk Management Committee must have at least three members, all of whom must be independent non-executive Directors. The Charter also requires that all members have a working familiarity with basic accounting and finance practices and that at least one member have financial expertise. The Committee must also include members with an understanding of the industry in which AGL operates.

The Committee currently comprises five members as detailed in AGL's 2015 Annual Report. Other non-executive Directors may attend meetings.

The Chair, John Stanhope, has financial expertise as a qualified accountant. Further details of the qualifications and experience of all Committee members are disclosed on pages 24 and 25 of the 2015 Annual Report.

The CEO, CFO, Company Secretary, Head of Group Audit and the external auditor attend Committee meetings at the discretion of the Committee. The Committee meets privately with the external auditor on general matters concerning the external audit and other related matters, including the half-year and full-year financial reports. The Committee also meets privately with the Head of Group Audit.

The Company Secretary is the secretary to the Committee. Copies of the minutes of a meeting of the Committee are distributed to the Board for discussion at the

next full Board meeting. The Chairman of the Committee reports to the Board on the Committee's conclusions and recommendations.

The Committee collectively, and its members individually, have access to internal and external resources, including access to advice from external consultants or specialists.

The Committee met five times during the year. Directors' attendances are set out on page 26 of the 2015 Annual Report.

Charter of the Audit and Risk Management Committee

The Committee operates under a formal Charter published on AGL's website. The Charter is required to be reviewed by the Committee and updated at least every two years. The Charter was most recently reviewed and updated in June 2014 and is available on [AGL's website](#).

The Charter sets out the roles and responsibilities, composition, structure and membership requirements of the Committee.

The Committee's primary responsibilities include:

- monitoring the integrity of financial reporting;
- monitoring and reviewing the external auditor's qualifications, performance and independence;
- monitoring the effectiveness of risk management processes, including reviewing the adequacy of AGL's property, business interruption, and liability insurances;
- monitoring the effectiveness of Group Audit;
- monitoring legislative and regulatory compliance; and
- monitoring the adequacy and completeness of internal controls.

Monitoring performance of the external auditor

AGL's Auditor Independence Policy contains details of the procedures for the selection, appointment, independence and performance of the external auditor.

Under the Auditor Independence Policy, the external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role.

Reports on the provision of auditing and related services are provided to the Committee. The Committee has concluded that non-audit services provided during the year did not compromise the external auditor's independence requirements under the Corporations Act.

The performance of the external auditor is discussed by the Committee following completion of the full year financial statements. The Chair of the Committee subsequently meets with the external auditor to discuss recommendations for improvements to the conduct of the audit.

AGL's Auditor Independence Policy is published on [AGL's website](#).

Recommendation 4.2 – CEO and CFO certification of financial statements

The CEO and the CFO have provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 4.3 – External auditor availability at AGM

The external auditor attends AGL's AGM. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to AGL at least five business days before the day of the meeting. No questions were sent to the auditor in advance of the 2014 AGM. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by AGL and the independence of the auditor.

PRINCIPLE 5:
Make timely and balanced disclosure

Recommendation 5.1 – Companies should establish continuous disclosure policies and ensure compliance with those policies

Market Disclosure

AGL's Market Disclosure Policy describes AGL's continuous disclosure obligations and how they are managed by AGL. The Policy is reviewed bi-annually and is published on AGL's website. It was most recently reviewed in June 2015.

The Market Disclosure Committee comprises the CEO, the Company Secretary, the CFO and the Head of Capital Markets. It is responsible for monitoring compliance with the Market Disclosure Policy.

The Committee is also responsible for recommending changes to the Market Disclosure Policy.

Accountability

The Company Secretary reports to the Board quarterly on matters that were either notified or not notified to the ASX. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available in the Media centre on the [AGL website](#).

All AGL Executives confirm in writing to the Board, on a quarterly basis, that matters which might need to be disclosed have been brought to the attention of the Continuous Disclosure Officer for review.

Financial market communications

Communication with the financial market is the responsibility of the CEO, CFO and Head of Capital Markets. Communication with the media is the responsibility of the CEO, the Executive General Manager Stakeholder Relations, and the Head of Corporate Communications. The Market Disclosure Policy covers briefings to institutional investors and stockbroking analysts, general briefings, one-on-one briefings, blackout periods, compliance and review as well as media briefings.

The substantive content of all market presentations about the half year and full year financial results and all statements relating to AGL's future earnings performance must be referred to, and approved by, the Board before they are disclosed to the market.

PRINCIPLE 6:
Respect the rights of shareholders

Recommendation 6.1 – *Companies should provide information about itself and its governance to shareholders on its website*

AGL's website at www.agl.com.au provides detailed information about its business and operations. Details of AGL's Board Members can be found [here](#) and Executive Team [here](#).

The Investor Centre link on AGL's website provides helpful information to shareholder. It allows shareholders to view all ASX and media releases since at least December 2007; various investor presentations; a copy of the most recent Annual Report and Annual Reports for at least the two previous financial years; and the notice of meeting and accompanying explanatory material for the most recent AGM and the AGMs for at least the two previous financial years; an Investor Calendar and links to Share Registry Services provided by Link Market Services.

AGL also publishes an annual sustainability report setting out details of its sustainable business practices and strategy. AGL's current sustainability report can be also accessed from the website [here](#).

Shareholders can find information about AGL's corporate governance on its website at <http://www.agl.com.au/about-agl/who-we-are/our-company/corporate-governance>. This includes AGL's Constitution, Board and Board Committee Charters, and extensive list of AGL's other Policies that support corporate governance.

The following documents are published on the AGL website under About AGL/Investor Centre:

- Constitution
- Corporate Governance Statement
- Board Charter
- People and Performance Committee Charter
- Audit and Risk Management Committee Charter
- Safety, Sustainability and Corporate Responsibility Charter
- Nominations Committee Charter
- Code of Conduct
- Securities Dealing Policy
- Compliance Policy
- Auditor Independence Policy
- Market Disclosure Policy
- Risk Management Policy
- Health, Safety and Environment Policy
- Privacy Policy
- Diversity and Inclusion Policy
- Wholesale Energy Risk Management Policy (summarised)

Recommendation 6.2 – *Companies should design and implement an investor relations program to facilitate two-way communication with shareholders*

Although AGL has not established a formal shareholder communications policy, it does take appropriate measures to keep shareholders informed about its activities and to listen to issues or concerns raised by shareholders.

AGL has an investor relations program which focuses on both retail and institutional shareholders. The program is tailored each year to target domestic and international investors as well focusing on specific industry issues. As well as attending broker-sponsored conferences, AGL participates at several industry conferences throughout each year. Key presentations are lodged with the ASX.

Fundamental to AGL's investor relations program is the management of its continuous disclosure obligations which facilitates all shareholders having access to important company information. In addition to lodging this information with the ASX, AGL uses its website to make available to shareholders information about the company and its activities.

The Board papers regularly include an investor relations report the content of which includes feedback from shareholders and issues raised by the investing community. AGL also regularly engages with corporate governance advisory firms and shareholder representative bodies, such as The Australian Shareholders Association, to understand market expectations on topics including governance, ESG and remuneration. The Chairman of the Board and the Chair of the People and Performance Committee both participate in meetings with such organisations so the Board can be in a better position to receive direct feedback about the effectiveness of AGL's corporate governance arrangements.

Recommendation 6.3 – Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders

Notices of meeting sent to AGL's shareholders comply with the "Guidelines for notices of meeting" issued by the ASX in August 2007. In relation to AGMs, Shareholders are invited to submit questions before the meeting.

The Chairman also encourages shareholders at the AGM to ask questions and make comments about AGL's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his discretion, may refer a question to another Director, the CEO or a member of the Executive Team.

New Directors or Directors seeking re-election are given the opportunity to address the AGM and to answer questions from shareholders.

AGL has adopted the practice of conducting a poll on each motion being considered at the meeting. Shareholders in attendance at the AGM are also given the opportunity to vote by a show of hands before the poll is conducted.

Recommendation 6.4 – Companies should provide the option to send and receive communications from the company and its share registry in electronic form

Shareholders have the option of electing to receive all shareholder communications, including dividend statements, by e-mail. AGL provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the [AGL website](#).

All announcements made to the ASX are available to shareholders by email notification when a shareholder provides the AGL Share Registry with an email address and elects to be notified of all AGL ASX announcements.

Shareholder meetings are webcast and analyst/media briefings in relation to half-year and full year financial results and other significant events can be heard by teleconference.

The AGL Share Register is managed and maintained by Link Market Services Limited. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number (SRN) or Holder Identification Number (HIN), via the [Link Market Services investor centre](#) or by emailing aglenenergy@linkmarketservices.com.au

PRINCIPLE 7:

Recognise and manage risk

Recommendation 7.1 – *Companies should establish an appropriately structured risk management committee for the oversight of material business risks.*

The Board has established an Audit and Risk Management Committee. Its responsibilities include oversight of the effectiveness of AGL's system of risk management and internal control.

The Committee receives regular presentations of AGL's material business risks and the controls in place to mitigate the consequences of those risks. AGL's main risks are reviewed annually by the Committee and the Board. The Committee also receives regular presentations from management throughout the year on specific risk topics. The Committee has responsibility for approving the audit plan submitted annually by Group Audit. The audit plan is based on an assessment of AGL's main risk exposures.

Details of the structure and Charter of the Audit and Risk Management Committee are set out in Recommendation 4.1

Recommendation 7.2 – *The Board or a Committee of the Board should review the company's risk framework at least annually to satisfy itself that it continues to be sound*

Risk Management Policies

AGL faces a wide variety of risks due to the nature of its operations and the regions in which it operates. Details of AGL's main risks are set out on page 55 of the 2015 Annual Report.

AGL systematically examines all operational and financial activities to identify major risk exposures using an enterprise-wide risk program based on ISO31000, the international standard on risk management. This program is supported by AGL's Risk Management Policy.

AGL has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Compliance Policy;
- Market Disclosure Policy;
- Securities Dealing Policy
- Code of Conduct;

- Delegations of Authority Manual;
- Health and Safety Policy;
- Environment Policy
- Greenhouse Gas Policy
- Wholesale Energy Risk Management Policy
- Treasury Policy; and
- Privacy Policy.

AGL also has in place a number of business unit and/or site based policies and procedures to allow for the safe and reliable operation of power generation plants and other operating assets.

Roles and responsibilities

The Risk Management Policy, and the other policies listed above, describes the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board or to the Audit and Risk Management Committee (Committee), Executives, the business units and AGL's Group Audit function.

Board	The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that AGL has a sound system of risk management and internal control that is operating effectively. The Committee assists the Board in carrying out these responsibilities. The Board annually reviews and approves AGL's main risk exposures and the actions being taken to mitigate those risks.
Committee	Details of the operation of the Committee are included in the commentary on Principle 4. The Committee oversees the detailed analysis of the effectiveness of the system of risk management and internal control. At each of its meetings the Committee receives a report providing an update on matters affecting AGL's main risk exposures and progress made toward mitigating the consequences of those risks. The Committee also receives regular presentations from management throughout the year on specific risk topics. Annually, the Committee reviews AGL's main risk exposures before they are presented to the Board for approval. The Committee has responsibility for approving the audit plan submitted annually by Group Audit. The audit plan is based on an assessment of AGL's main risk exposures.
Executive Team	The CEO has primary responsibility for designing, implementing and reporting on AGL's risk management framework. The Executive Team collectively has responsibility for promoting a risk management culture throughout AGL, including consistent application of the Risk Management Policy across AGL.
Business units	AGL's business units are responsible for maintaining effective internal controls, consistently applying the risk management framework, and reporting new or changed risk events.

Group Risk	Group Risk is responsible for supporting the businesses to identify and implement effective risk management processes, for reporting details of material business risks and risk controls to the Committee, and for recommending changes to the Risk Management Policy.
Group Audit	Group Audit provides assurance to the Committee on the effectiveness of AGL's risk management framework and on the adequacy and effectiveness of the system of internal controls.

Recommendation 7.3 - Companies should disclose the structure and role of its internal audit function

AGL's internal audit function, Group Audit, provides assurance to the Audit and Risk Management Committee on the effectiveness of AGL's risk management framework and on the adequacy and effectiveness of the system of internal controls.

The Head of Group Audit reports to the Chair of the Audit and Risk Management Committee. Group Audit delivers its objectives through accessing the professional skills and capabilities of:

- trained audit professionals who are part of the Group Audit function;
- other professionals within AGL's business with specific skills and experience; and
- services provided by external consultants in respect of specialist technical or operational areas.

Recommendation 7.4 – Companies should disclose their economic, environmental and social sustainability risks and how those risks are managed

The Safety, Sustainability and Corporate Responsibility Committee assists the Board in enabling AGL to operate its businesses ethically, responsibly and sustainably. The Committee has a formal Charter that is available on [AGL's website](#).

The Committee currently comprises three non-executive and independent Directors.

The Committee oversees and reviews:

- AGL's actions to meet its obligation to maintain the health and safety of its employees and contractors;
- the social, environmental and ethical effects of AGL's activities;
- initiatives to enhance AGL's sustainable business practices and reputation as a responsible corporate citizen;
- integration of safety, sustainability and corporate responsibility in the formulation of AGL's corporate strategy, risk management framework, and people and culture priorities;
- AGL's compliance with all relevant legal obligations on the matters within its responsibilities; and
- the actions AGL is taking to maintain its social licence to operate include how it engages effectively with communities in which it operates.

The Committee met five times during FY15. Three of the meetings were held at AGL business unit operating sites.

Details of AGL's sustainable business strategy can be found on pages 12 and 13 of the 2015 Annual Report. A more detailed report about AGL's economic, environmental and social sustainability risks is included in AGL's Sustainability Report which can be found [here](#).

PRINCIPLE 8:

Remunerate fairly and responsibly

Recommendation 8.1 – *The Board should establish an appropriately structured remuneration committee*

The Board has established a People and Performance Committee (which has responsibilities within the scope of those of a remuneration committee). The Committee currently comprises four non-executive and independent Directors.

The Committee has a formal Charter that is required to be reviewed at least every two years. The Charter was most recently reviewed in June 2014. A copy of the Charter is available on [AGL's website](#).

The Committee is responsible for:

- reviewing the performance and remuneration of senior management; and
- reviewing and ratifying AGL's remuneration and employment policies, procedures and programs.

These responsibilities include making recommendations to the Board in relation to:

- the remuneration of Directors
- the remuneration, recruitment, retention and termination policies applicable to AGL's senior management;
- talent management and succession planning for key management roles;
- guidelines for incentive plans, particularly as they relate to the Executive Team;
- the superannuation arrangements in place for AGL employees; and
- AGL employment policy matters.

In making recommendations to the Board in relation to remuneration and remuneration policies, the Committee also reviews the remuneration of female employees relative to the remuneration of male employees at all levels.

The Committee has appointed an independent advisor to provide advice on remuneration related matters.

The CEO attends meetings of the Committee by invitation when required to report on and discuss senior management performance, remuneration and related matters, but is not present at meetings when his own performance or remuneration is discussed.

Recommendation 8.2 – *The Company should distinguish between non-executive Directors' remuneration and that of executive Directors and Executives*

AGL's remuneration structure distinguishes between non-executive Directors and that of the CEO and the Executive Team. A Remuneration Report required under

Section 300A(1) of the Corporations Act is provided in the Directors' Report on pages 57 to 73 of the 2015 Annual Report.

Recommendation 8.3 – *The Company should establish a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes.*

AGL's Securities Dealings Policy specifically prohibits AGL Directors, Executives and employees from using derivatives in relation to any unvested AGL securities which have been granted under any of AGL's equity based remuneration schemes. For this purpose, a derivative includes any option, forward contract, swap, futures contract or warrant, or any other arrangement, which itself or in combination with one or more other derivatives would have the effect of providing a greater benefit than would otherwise have been realised in respect of unvested AGL securities.

Derivatives may be used in relation to AGL securities which have vested, provided any dealing in those derivatives complies with the other requirements of AGL's Securities Dealings Policy a full copy of which is available [here](#).